

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SEC
Mail Processing
Section



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Washington DC
403

ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

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**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1/1/2014 AND ENDING 12/31/2014
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: TAGLICH BROTHERS, INC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

790 NEW YORK AVE., SUITE 209

(No. and Street)

HUNTINGTON

NY

11743

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
MICHAEL N. TAGLICH

631-757-1500

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

S. A. KOENIG & ASSOCIATES, CPA's P.C.

(Name - if individual, state last, first, middle name)

485 UNDERHILL BLVD., SUITE 100

SYOSSET

NY

11791

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of acts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

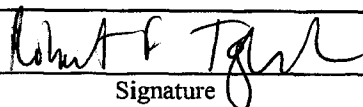
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information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.

*
KW
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OATH OR AFFIRMATION

I, ROBERT F. TAGLICH, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of TAGLICH BROTHERS, INC., as of DECEMBER 31 ~2014, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

RICHARD G. OH
NOTARY PUBLIC, State of New York
No. 52-5010493
Qualified in Suffolk County
Commission Expires March 29, 2009 2015


Signature

MANAGING DIRECTOR
Title


Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

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**MAR 02 2015
Washington DC
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Taglich Brothers, Inc.

Financial Statements

For The Year Ended December 31, 2014

TAGLICH BROTHERS, INC.
DECEMBER 31, 2014

TABLE OF CONTENTS

SEC
Mail Processing
Section

MAR 02 2015

Washington DC
403

Report of Independent Registered Public Accounting Firm	<u>Page</u> 1 - 2
<u>Financial Statements</u>	
Statement of Financial Condition at December 31, 2014	3
Notes to Financial Statements	4 - 10



S. A. KOENIG & ASSOCIATES CPAS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

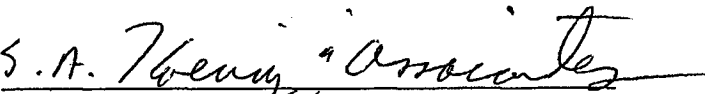
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
Taglich Brothers, Inc.
Huntington, New York

We have audited the accompanying statement of financial condition of Taglich Brothers, Inc. (the "Company"), as of December 31, 2014, that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements. Taglich Brothers, Inc.'s management is responsible for this financial statement. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial position, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial position presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial condition of Taglich Brothers, Inc. as of December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.


S. A. KOENIG & ASSOCIATES, CPAs, P.C.

Syosset, New York
February 23, 2015

TAGLICH BROTHERS, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2014

ASSETS

ASSETS:

Cash and cash equivalents	\$ 1,689,557
Due from clearing broker	762,668
Securities, at fair value	928,167
Customer receivables, less allowance for uncollectibles of \$90,563	796,050
Note receivable	151,250
Prepaid expenses and other assets	<u>91,016</u>
TOTAL ASSETS	<u>\$ 4,418,708</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Accounts payable and accrued expenses	\$ 2,010,337
Client advances - financial research	<u>7,000</u>
TOTAL LIABILITIES	<u>2,017,337</u>

CONTINGENCIES

STOCKHOLDERS' EQUITY:

Common stock, no par value, \$1 stated value, 200 shares authorized, 130 shares issued and 95 shares outstanding	130
Additional paid-in capital	844,277
Retained earnings	1,656,644
Treasury stock, 35 shares held at cost	<u>(99,680)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>2,401,371</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 4,418,708</u>

The accompanying notes are an integral part of these financial statements.

TAGLICH BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

1 - ORGANIZATION

Taglich Brothers, Inc. (the "Company") is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority and The Securities Investor Protection Corporation ("SIPC"). The Company is also registered with the SEC under the Investment Advisors Act of 1940. The Company's principal business activities are performing financial research and analysis, acting as a broker-dealer of securities and engaging in investment banking services. It operates out of an office in Huntington, New York and a branch office in Manhattan, New York.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used when accounting for amortization, depreciation and contingencies.

Cash Equivalents

Cash equivalents consist of highly liquid debt investments with maturities of three months or less when purchased. The Company considers money market accounts meeting such criteria to be cash equivalents.

Customer Receivables

The Company carries its customer receivables at cost, less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its customer receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions.

TAGLICH BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED).

Revenue Recognition

Securities transactions and the related revenues and expenses are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date with related commission income and expenses reported on a trade date basis.

Investment banking revenues arise from security offerings in which the Company acts as an underwriter or agent. Investment banking revenues are recorded as earned, in accordance with the terms of the investment banking agreements. Investment banking services rendered are not recognized unless collectability is reasonably assured. Revenue from other fees and services is recorded when earned.

Website research revenues arise from clients who want their company to be researched and featured on the Company's website. Website research revenues are recorded when earned.

Investment advisory fees are received and earned quarterly.

Valuation of Securities

The Company's securities are stated at fair value in accordance with FASB ASC 820, "Fair Value Measurement." See Note 6 for discussion of fair value measurements.

Income Taxes

Provisions for federal and New York State income taxes have not been made because the Company, with the consent of its stockholders, have elected to be an S corporation for income tax purposes. As such, the Company's income or loss and credits are passed through to the stockholders and reported on their individual income tax returns. A provision is made for New York City income tax, which does not recognize S corporations, on income sourced to New York City.

The Company accounts for uncertainties in income taxes under the provisions of FASB ASC 740-10-05, "Accounting for Uncertainty in Income Taxes" ("ASC"). The ASC clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The ASC prescribes a recognition threshold and measurement attitude for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The ASC provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. At December 31, 2014, the Company had no material unrecognized tax benefits.

The Company files federal, New York State and New York City income tax returns. The Company is no longer subject to federal, New York State and New York City examinations by tax authorities for the years before 2011.

TAGLICH BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED).

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure February 24, 2015, the date the financial statements were issued. There were no significant subsequent events or transactions which required recognition or disclosure in the financial statements.

3 - DUE FROM CLEARING BROKER

The amount due from clearing broker of \$762,668 at December 31, 2014 consists of the following:

	<u>Receivable</u>	<u>Payable</u>
Receivable from clearing organization	\$ 783,264	\$ -
Fees and commissions payable	<u>-</u>	<u>20,596</u>
	<u>\$ 783,264</u>	<u>\$ 20,596</u>

The Company clears its proprietary and customer transactions through another broker-dealer on a fully disclosed basis.

4 - OFF-BALANCE SHEET RISK

Pursuant to clearance agreements, the Company introduces all of its securities transactions to clearing brokers on a fully-disclosed basis. All of the customer's money balances and long and short security positions are carried on the books of the clearing brokers. In accordance with the clearance agreements, the Company has agreed to indemnify the clearing brokers for losses, if any, which the clearing brokers may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing brokers monitor collateral on the customers' accounts. In addition, the receivables from the clearing brokers are pursuant to these clearance agreements.

TAGLICH BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

5 - CUSTOMER RECEIVABLES

Customer receivables arise in connection with the Company's investment banking and website research business activities. As of December 31, 2014, the receivable amount related to investment banking business consisted of unissued warrants and preferred stock valued at \$778,550. The warrants were valued using the Black Scholes Model as of the date of the closing of each related private placement. The preferred stock was valued at stated value.

As of December 31, 2014, the receivable amount related to the website research business was \$108,063. The Company estimates an allowance for doubtful accounts, related to the website research receivable to be \$90,563, at December 31, 2014.

6 - FAIR VALUE MEASUREMENTS

FASB ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
 - If the assets or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

TAGLICH BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

6 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014.

Level 1

Valued at the closing price reported on the active market on which the individual securities are traded.

Level 2

Common stock classified as level 2 are restricted shares of common stock. The inputs to the valuation included the quoted prices for the common stock on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflect future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, all securities that are measured at fair value on a recurring basis as of December 31, 2014.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock:				
Consumer goods	\$ 439,925	\$ -	\$ -	\$ 439,925
Industrial	-	294,455	-	294,455
Technology	187,191	6,596	-	193,787
Total Common Stock	627,116	301,051	-	928,167
Total	<u>\$ 627,116</u>	<u>\$ 301,051</u>	<u>\$ -</u>	<u>\$ 928,167</u>

TAGLICH BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

7 - CONCENTRATIONS

The Company maintains cash and cash equivalent balances at financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2014, the Company had a cash or cash equivalent balances in excess of FDIC insurance limits of \$1,439,557.

Approximately 42% of the Company's revenue, totaling \$4,646,605, was derived from four customers for the year ended December 31, 2014. Of such total, one customer accounted for approximately \$1.88 million or 17% of revenues.

Four customers accounted for 90% of net customer receivables at December 31, 2014. Of such amount, one customer accounted for approximately 49% of net customer receivables.

8 - RELATED PARTY TRANSACTIONS

The Company pays a monthly administrative management fee to an affiliated corporation. The management fee includes a charge for occupancy of office space, equipment rental, and other administrative expenses. Administrative management fees of \$194,100 and rental fees of \$72,600 were incurred during the year ended December 31, 2014.

The Company received monthly monitoring fees of \$1,045,500 during the year ended December 31, 2014 related to certain investment banking transactions in which the officers or certain employees of the Company are either shareholders or directors of the companies for which funds were raised.

9 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2014, the Company has net capital of \$1,660,317 which was \$1,525,828 in excess of its minimum required net capital of \$134,489. The Company's net capital ratio was 1.22 to 1.

10- NOTE RECEIVABLE

In connection with its investment banking business, the Company received a note for \$150,000 from a customer. The note requires payment of interest at 10% per annum, due on the first day of the last month of each calendar quarter until maturity. The Company opted to extend the terms of the note to December 31, 2016. The December 2014 interest payment of \$1,250 has been accrued as of December 31, 2014 and is included in the note receivable balance. The \$1,250 interest payment was received in January 2015.

TAGLICH BROTHERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

11 - PROFIT SHARING PLAN

The Company has a profit sharing plan covering all of its employees who have completed six months of service. The plan allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Company does not make matching contributions.

12 - CONTINGENCIES

The Company may be involved from time to time in litigation arising from the normal course of business. In management's opinion, as of the date of this report, the Company is not engaged in legal proceedings which individually or in the aggregate are expected to have a materially adverse effect on the Company's results of operations or financial condition.